

March 9, 2009

Mr. SCOTT of Virginia: Thank you. Madam Speaker, I thank the gentle lady from Ohio for organizing this Special Order. The budget is an extremely important part of our work, and I thank you for allowing us the opportunity to discuss what is going on with the budget.

Before we can discuss the budget going forward, we have to understand where we are and the mess that we are in. Sometimes you need charts to adequately describe exactly what the situation is.

This is a chart from 1989 showing the budget deficit. Starting in 1993, we went up to surplus. Unfortunately, in 2001, we had a complete collapse of the budget. 2008, the deficit will be about here. A little over \$400 billion. 2009, it will literally be off the chart. So, this is what we are dealing with.

In 1993, we made the tough choices and eliminated the deficit, went into surplus, and had enough in the beginning of 2001, enough of a surplus to pay Social Security for 75 years without reducing any benefits or to pay off the entire debt held by the public by last year. We were in good shape financially in 2001, but we made the wrong choices. And the rest is history.

The deterioration in the budget from the \$5.5 trillion surplus to the probably \$3 trillion, maybe \$4 trillion deficit, was a swing of almost \$9 trillion. Almost \$1 trillion a year deterioration in the budget.

This chart shows where the public debt has exploded. In 2001, we were headed by the budget projections to paying off not only the debt held by the public, but all of the debt; putting the money back in the trust funds and everything else. Instead, the debt has totally exploded.

Now, one of the problems with the debt is that more and more of it is coming from foreign

countries. Primarily, Saudi Arabia, Japan, and China. And that has foreign policy implications. You can't negotiate a good trade deal when the next thing out of your mouth is, Can I borrow some money? When you're borrowing money from Saudi Arabia, obviously that has implications on our ability to negotiate gasoline and oil prices.

The debt held in foreign countries was headed towards zero. It has, again, exploded. Now we have over \$2 trillion of our debt held in foreign countries.

Now, we got in this mess because we had unaffordable tax cuts, primarily for the wealthy. People get mad when you say ``primarily for the wealthy," but it was done, presumably, to create jobs.

This chart shows how, in the last 8 years, in terms of job growth, we have experienced the worst job growth since the Great Depression. Herbert Hoover is the only President on this chart who's done worse than the last 8 years.

There's very poor economic activity, as measured by the Dow Jones Industrial Average. This chart shows the Dow Jones Industrial Average from Hoover, Franklin, Roosevelt, Truman, Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter, Reagan, Bush, Clinton. The worst since Herbert Hoover in terms of Dow performance in the last 8 years.

Now, some people have said that all those tax cuts actually increased revenues. Well, that is not exactly true. Since 1960, this chart, just to break down the color code, a green bar is a year in which we achieved record revenues in individual income tax. Record revenues. A red bar is one where a record was not achieved.

You will notice since 1960, tax cuts, tax increases, recessions, depression; everything since good years, bad years, since 1960, there were only 2 years in which we did not achieve a record. So, to say that we had additional revenues wouldn't be saying much, because we always have revenues.

But it's even worse than that because in 2001 we did not achieve a record. 2002, 2003, 2004,

2005. We went 5 consecutive years, something that has not happened since they started taking records in the 1930s, did you go more than 2 years without achieving a record. You have had world wars and everything else. The record: 5 years without a record.

So, the cuts in taxes did not increase revenues. It actually decreased revenues. And, as I said, they get mad when you say the taxes were cut for the rich.

This chart shows for people under \$20,000--from \$20,000 to \$50,000; \$50,000 to \$75,000; \$75,000 to \$100,000; \$100,000 to \$200,000; \$200,000 to \$1 million; over \$1 million, how much you got out of the 2001 and 2003 tax cuts. You notice that if you made over \$1 million, you did well. And if you made under \$20,000, or even under \$50,000, you hardly need ink to draw the bar.

There's one particular tax that, in the Obama budget, will be repealed. Put back the way was. It's about a \$20 billion tax cut every year. And this is how it's distributed. If you make over \$1 million, you get about \$17,000. \$200,000 to \$1 million, you get several hundred dollars. \$100,000 to \$200,000; on average, you will get you will get about \$1 a month. Under \$100,000; on average, you will get not a dime.

Now, one of the things that is extremely important and why it is crucial that we get this budget under control, and that is I referred to Social Security. This is a Social Security cash flow chart, showing the blue bars are bringing in now more than we are paying out. In 2017, we will start paying out more than we are bringing in.

This is \$200 billion deficit, a \$600 billion deficit. By 2040, we will be approaching \$1 trillion, paying out more Social Security than we are bringing in. If we had the \$5.5 trillion, you needed about \$4 trillion in the bank today, drawing interest. We could pay Social Security for 75 years without reducing benefits.

Unfortunately, we are going broke, and this is one of the reasons we have to get our budget under control quickly, because otherwise we will get into a deficit situation in Social Security that we will never get out of.

One of the things that we have to do is make sure that the expenditures and tax revenues get back under control. Federal revenues traditionally, in the past, have been less than the expenditures. We have been spending more than we are bringing in. That is deficit spending.

By the mid 1990s, we actually reduced spending and increased revenues, to the point where we had that healthy surplus that was set to go as far as the eye could see. Unfortunately, in 2001, we passed tax cuts that we could not afford, collapsing revenues and, in fact, even increased as a percentage of GDP, increased spending, creating this deficit. We have to get back under control where the revenues are more than the expenditures.

This year, we are out of control because we have had the stimulus package, we have had the bailouts, and everything. But this is just a 1-year spike. And we need to get the budget back under control. And we can do that. Under the Obama budgets, we will be back into more traditional levels of deficits.

But, when we get down here, that should not be the end. That is just the first step. We are going to have to continue bringing spending down and revenues up so that we will have our surplus so that we will be able to afford Social Security.

The President's budget, the first thing it does is reinstates what is called PAYGO. One of the reasons that we could maintain fiscal responsibility in the 1990s is we had a process called PAYGO. Pay as you go. If you offer a spending program, you have to pay for it. You have to raise the taxes to pay for it or cut some spending somewhere else. If you want to cut some taxes, you have to cut some spending or raise some other taxes. Everything do you, have you to pay for it. And if you don't pay for it, you can't pass it.

Unfortunately, in 2001, PAYGO expired, and the tax cuts were passed without paying for it. Increased spending took place without paying for it. And we got into the ditch that we are in. We now are back under PAYGO, where we are going to have to pay for what we do.

One of the things that the Obama budget does, it presents an honest budget. There are many things in the last few budgets that were just kind of left out. We knew every year we'd been continuing some tax cuts year after year. We knew each year we'd put those back in. Those weren't in the budget as introduced.

The war spending. We know we are at war. There was zero for the war in Iraq and Afghanistan in the budgets as introduced. We knew we were going to spend money on those wars. In fact, there were about \$250 billion worth of known expenditures that we knew we were going to spend that were left out of the budgets. The Obama budget includes everything that everybody knows that we are going to spend.

So with PAYGO and fiscal responsibility, we are going to at least reduce the deficit 50 percent in the first term of President Obama; and after we get there, we will continue to make progress.

The President's budget makes significant investments in energy, getting us from dependence on foreign oil and creating millions of jobs in energy, creating clean energy jobs. His budget brings down the skyrocketing costs of health care, and makes focused investments in education, one of the things on energy, alternative forms of energy and conservation and significant research investments.

In health care, we need to make investments in cost control to make sure that we can control health care. The Social Security chart and the Medicare chart are very similar. The Medicare chart is actually even worse because of the accelerating health care costs. We need to get those costs under control, because if we don't get Medicare under control, health care generally will consume the entire budget. We need to make sure that we are investing in access to make sure that those who have insurance can keep it, because as the costs go up, people are losing their health insurance.

He is making significant investments in education, making sure that tax credits for education expenses are increased and Pell Grants are increased so more and more people can go to college. And we want to make sure that we invest in elementary and secondary education, particularly early childhood education.

The budget makes a unique investment in nurse home visits. These have been shown to significantly reduce a lot of problems, one of which is child abuse, which is highly correlated with

future crime by these nurse visits. The nurse visits have been studied. I serve on the Judiciary Committee, and they have found that those who have had the advantage of the nurse visits were one-third as likely to be arrested 18 years later as those who did not have the visits; education is much better off; child abuse is down. So those visits will be a very important investment in our future.

And, finally, the President's budgets continues large increases in veterans health care. We had significant increases 2 years ago and last year, and we will continue those increases so our veterans get the health care that they certainly have earned and deserve.

We need to make some tough choices. The President says one of the most difficult choices are making expenditures today that save money in the future. Nobody wants to spend the money today if the savings won't occur for 5 or 10 years.

One of the bills that I have introduced is the Youth Promise Act that makes investments in young people to keep them out of trouble. We are spending more money per person in incarceration. We have got more people locked up today per hundred thousand population than anywhere on Earth. We could significantly reduce the need for that correlation if we made investments up front, getting young people on the right track and keeping them on the right track. The Youth Promise Act does that. It has an interesting aspect to it. When you save money, the localities that come up with their local plans will try to identify where they are saving money, and those agencies should kick in to keep the program running.

The State of Pennsylvania did the collaborative approach that is anticipated in the Youth Promise Act, and they funded a number of programs for a total cost of approximately \$60 million, \$60 million, and they calculate they save over the next few years over \$300 million, because they made those investments and reduced crime significantly. Nobody wants to make the first investment; so the Youth Promise Act will make those investments and, hopefully, the localities will continue the programs, saving significant money in the future.

But we have to make the tough choices. And if we don't make those tough choices, if we don't get the budget under control, we are going to be spending entirely too much money on interest in the national debt, we will jeopardize Social Security and Medicare. But with the leadership of President Obama, the Congressional Black Caucus is committed to addressing our priorities in a fiscally responsible way. Social Security, Medicare, and our future depend on it.

Again, I want to thank the gentle lady from Ohio for her leadership and giving us the opportunity to talk about the budget today.